

Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Monday, 25 November 2013.

PRESENT

Mr. E. D. Snartt CC (in the Chair)

Mr. G. A. Boulter CC  
Mr. G. A. Hart CC  
Mr. K. W. P. Lynch CC

Mrs. J. Richards CC  
Mr. S. D. Sheahan CC  
Mr. R. J. Shepherd CC

41. Minutes.

The minutes of the meeting held on 23 September 2013 were taken as read, confirmed and signed.

42. Question Time.

The Chief Executive reported that two questions had been received under Standing Order 35 from Mr Andre Wheeler.

**Mr Wheeler, a member of the public, asked the following questions:**

- “1. Why has David Parsons not paid back the money he still owes the Tax Payer?
2. Over 6 years (April 2006 to February 2012) he claimed £204,283 for the cost of travel; can you give the break down?”

**Mr Snartt replied as follows:**

- “1. The County Council has taken action to recover expenditure incurred by or on behalf of Mr Parsons in accordance with the decision of this Committee. The current position is set out in the report at item 12 on the Agenda. Details of the reasons why a balance remains outstanding is a matter for Mr Parsons and his solicitor. The County Council is continuing to seek repayment of the balance due.
2. A detailed breakdown of the figure quoted by Mr Wheeler (£204,283) relating to the cost of travel during the period April 2006 to February 2012, is attached.” (A copy of this breakdown is filed with these minutes.)

**Mr Wheeler asked the following supplementary question on the reply to Question 1:**

“Would other residents be given the same amount of time if they owed a debt to the County Council? If a resident were being pursued for benefit fraud, would they be allowed the same time?”

The Director of Corporate Resources and the County Solicitor, on behalf of the Chairman, confirmed that the invoices for the sums owed by Mr Parsons had been

treated in the same manner as any similar case where money had been owed to the County Council. The invoices had been raised in line with the County Council's debt recovery procedures and reminders had been sent within normal timescales. As the outstanding amount had not been paid by Mr Parsons the matter had been referred to the County Council's legal department which had been in correspondence with Mr Parsons' solicitors with a view to establishing whether a settlement could be reached.

For clarification, the County Solicitor highlighted that this had not been a case of benefit fraud.

**Mr Wheeler asked the following supplementary question on the reply to Question 2:**

"Looking at the breakdown of costs that had been included i.e. vehicle repair and maintenance costs, it was wrong to label these under the word 'expenses'. This was grossly misleading that such costs would fall under the 'expenses' category which a member should rightly be able to claim. Has the system changed for claiming expenses?"

The Director of Corporate Resources responded on behalf of the Chairman and confirmed that processes had been improved as a result of this matter in line with recommendations from the Internal Audit Service.

The Director clarified that the information presented to Mr Wheeler in response to his questions had provided a breakdown of the sum referred to (i.e. £204, 283) which was the total cost that had been calculated for journeys undertaken by Mr Parsons in the County Council's Chauffeur driven car. These were not 'expenses' which had been claimed by Mr Parsons, but 'costs' incurred on his behalf by the County Council.

The Chairman thanked Mr Wheeler for his questions and for attending the meeting.

43. Questions asked by members.

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

44. Urgent Items.

There were no urgent items for consideration.

45. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

46. Annual Audit Letter 2012/13.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to present the Annual Audit Letter for 2012/13 for approval. A copy of the report is filed with these minutes.

The Chairman welcomed Matthew Elmer of PricewaterhouseCoopers (PwC), the County Council's external auditors, to the meeting and thanked him, his Team and County Council officers for the good work that had been undertaken throughout 2012/13.

The Committee noted that training had been undertaken by new members appointed to the Committee in May. Training had been also been undertaken by the whole Committee on specific areas such as treasury management and the risk management framework. The need for further member training on other specific areas would be considered in the New Year.

RESOLVED:

That the Annual Audit Letter 2012/13 be approved and distributed to all Members of the Council.

47. External Audit Plan 2013/14.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to present the external Audit Plan for 2013/14 for approval. A copy of the report is filed with these minutes.

i. Anti fraud and corruption

In response to specific enquiries raised by PWC within the Plan relating to fraud, the Chairman confirmed the following:

- The Committee received regular updates on Anti Fraud and Corruption initiatives, as the Council continually assessed its counter fraud arrangements and performance against professional guidance;
- The Committee was kept informed of instances of fraud through written reports from the Head of Internal Audit Service (HoIAS) at the conclusion of any investigations. There was also scope for the HoIAS to verbally brief the Chairman and Vice Chairman of the Committee throughout an investigation when a matter was considered to be of significant concern;
- In accordance with its terms of reference, the Committee monitored on an annual basis the adequacy and effectiveness of the Internal Audit Service. On a quarterly basis it considered any major Internal Audit findings and the responses to the implementation of its recommendations, as well as arrangements for the identification, monitoring and management of strategic and operational risk (including fraud risk) within the Council;
- The Audit Commission's 'Protecting the Public Purse 2012' 'checklist' had been used by the County Council to carry out a review of its position and the effectiveness of its fraud arrangements which had been reported to the Committee in February 2013.

ii. Misstatement Threshold

The Committee agreed that the threshold for PwC treating a misstatement in the County Council's accounts as 'clearly trivial' should remain at the current level of £100,000.

iii. Letter – Working more efficiently

With regard to the letter attached to the Audit Plan (page 45 of the report) some members raised concerns about the possibility of basic audit tasks being offshored to PwC Service Delivery Centres in India and Poland and questioned who authorised such an arrangement. The Committee noted that:

- The Audit Commission had appointed PwC as the County Council's external auditors and it held the contract with PwC and had agreed the process that would allow PwC to offshore data; This would enable basic audit tasks to be undertaken at PwC's Centres in India and Poland whilst allowing its UK Centre to concentrate on identified high risk areas. This system had operated in the private sector for some time and created efficiencies (thus keeping costs down) whilst maintaining the quality of service;
- PwC did not currently offshore any data and it would not do so if the County Council did not support such an arrangement. Some members expressed concern that not supporting this option would impact fee levels in future years;
- Whether or not work was offshored would not affect the fees set out in the Plan for 2013/14 which had been determined at a national level;
- Concerns were raised about the ethics of offshoring work and the impact this might have on standards and job security in the UK.

To give assurance to the Committee, Mathew Elmer of PwC offered to present to the Committee a report at its next meeting providing more information on this issue.

It was moved by Mr Lynch and seconded by Mr Sheahan:

“That this Committee expresses its opinion that such work should not be offshored outside the European Union.”

The motion was put and not carried, three members voting for the motion and four against.

Following further discussion, it was then moved by Mr Shepherd and seconded by Mr Hart and carried:

“That PwC, the County Council's external auditors, be requested to submit a report to the next meeting of the Committee so that members might be able to understand the ramifications and consider the ethics of the proposal to allow data to be offshored to services in India and Poland for the facilitation of basic audit tasks.”

At the suggestion of the Director of Corporate Resources the Committee further requested that the Audit Commission be contacted to seek its views on the practice of off-shoring audit work.

RESOLVED:

- (a) That the External Audit Plan 2013/14 be approved;

- (b) That the threshold of when misstatements made in the County Council's accounts should be treated by the external auditors, PwC, as 'clearly trivial' should continue to be those that amount to less than £100,000;
- (c) That PwC, the County Council's external auditors, be requested to submit a report to the next meeting of the Committee so that members might be able to understand the ramifications and consider the ethics of the proposal to allow data to be offshored to services in India and Poland for the facilitation of basic audit tasks;
- (d) That the Director of Corporate Resources be requested to contact the Audit Commission to seek their views on the practice of off-shoring audit work.

#### 48. Risk Management Update.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an overview of key risk areas and the measures being taken to address them. The report also provided an update on related risk management matters such as Insurance, Business Continuity, Training and Anti-Fraud initiatives being undertaken. A copy of the report is filed with these minutes.

Arising from discussion, the following points were noted:

- i. Members enquired about the membership of the Economic Growth Board and the Chief Executive undertook to provide details after the meeting;
- ii. Some members expressed concern that the risks faced by the Council if capital sums payable by Leicestershire County Care Ltd for the transfer of nine elderly persons homes was not received, had not been included on the Corporate Risk Register. It was noted that this risk had been recorded, but at Departmental level, as, whilst the impact of none payment would be significant, the likelihood of this occurring had been judged to be low. A report had recently been considered by the Cabinet and the timescale for payment of the balance due had been extended. A further report would be presented to the Cabinet in March 2014. Whilst members were reassured that this risk was being monitored and managed appropriately, the Committee requested that, for members information, details of this risk be included in future reports to the Committee;
- iii. At the suggestion of members the Director of Corporate Resources undertook to provide a presentation on the risks related to the Integration Transformation Fund at the next meeting of the Committee. A presentation on the risks related to Home to School Transport had also been suggested, but members noted that the Scrutiny Commission would be considering this issue in the New Year, following the outcome of the on-going consultation currently in progress.

#### RESOLVED:

- (a) That the status of the strategic risks facing the Council be noted and that the updated Corporate Risk Register be approved;
- (b) That the initiative adopted to improve the Council's acknowledgement, prevention and pursuit of fraud be supported;

- (c) That the Director of Corporate Resources be requested to include in future reports, for members information, details of the status of the financial risks facing the Council if capital sum payable by Leicestershire County Care Ltd for the transfer of nine elderly persons homes was not received;
- (d) That officers be requested to provide a presentation on the risks associated with the Integration Transformation Fund at the next meeting of the Committee.

49. Annual Governance Statement 2013 - Update against Key Improvement Areas

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide a mid-year update on those areas identified for improvement included within the Council's 2012/13 approved Annual Governance Statement. A copy of the report is filed with these minutes.

RESOLVED:

That the contents of the report be noted.

50. Quarterly Treasury Management Report.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an update on the actions taken in respect of treasury management in the quarter ended 30 September 2013. A copy of the report is filed with these minutes.

RESOLVED:

That the contents of the report be noted.

51. Sale of Part of Lloyds Banking Group Shareholding by UK Government - Impact on list of Acceptable Loan Counterparties.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to inform the Committee about the impact the sale of part of the Government's shareholding in Lloyds Banking Group, which took place on 17 September 2013, had on the County Council's list of acceptable loan counterparties. A copy of the report is filed with these minutes.

The Committee agreed that a balance needed to be struck between the level of financial risk faced by the County Council and the level of return it could achieve on its investments.

The Committee was of the view that, whilst it was important to remain cautious in the current financial climate, the level of risk did not appear to be significantly increased. The Committee therefore supported the proposal presented by the Director of Corporate Resources and recommended that this be put before the Cabinet for consideration.

RESOLVED:

- (a) That the content of the report be noted;

- (b) That the Cabinet be advised that this Committee supports the proposed amendment to the County Council's Acceptable Loan Counterparties Policy, as detailed in paragraph 10 of the report.

52. Quarterly Internal Audit Service Progress Report.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide a summary of the work finalised by the Internal Audit Service since the last report to the Committee and to highlight audits where high importance recommendations had been made to managers. The report also provided an update on the recovery of outstanding costs owed by the former Leader of the County Council, Mr David Parsons. A copy of the report is filed with these minutes.

High Importance Recommendation – Developer Contributions

The Committee noted that, with regard to audit work relating to Developer Contributions (section 106 - referred to in Appendix B to the report), although the report stated that these audits had been 'suspended', the Internal Audit Service had begun work to test the new planning data system. Whilst there had been no indication that any income from developer contributions had been lost or that such monies were not being appropriately collected, to provide reassurance members requested that officers provide a more detailed update on this issue at its next meeting.

Recovery of outstanding monies owed by Mr Parsons

The County Solicitor reported that, although Mr Parsons' had not accepted liability for the debt owed by him, negotiations were on-going to reach a settlement and bring the matter to a conclusion.

The Committee noted that, since its last meeting, the process of issuing ticketing messages generated by East Midlands Shared Service had been reviewed and the wording amended.

RESOLVED:

- (a) That the content of the report be noted;
- (b) That, with regard to audit work relating to Developer Contributions (section 106) referred to in Appendix B to the report, officers be requested to report to the next meeting to provide assurance to this Committee that appropriate developer contributions continue to be collected by the County Council.

53. Regulation of Investigatory Powers Act 2000 - Annual Report.

The Committee considered a report of the County Solicitor the purpose of which was to advise the Committee of the Authority's use of the Regulation of Investigatory Powers Act 2000 (RIPA) for the period 1 October 2012 to 30 September 2013, to advise the Committee of the outcome of an inspection by the Office of Surveillance Commissioners (OSC) conducted on 13 August 2013 and to ask the Committee to review the Policy Statement relating to RIPA before its submission to the Cabinet for approval. A copy of the report is filed with these minutes.

The Committee noted the following additional alterations to the revised Policy Statement:

- Paragraph 2 – the words “for the purpose of preventing or detecting crime or preventing disorder” had been deleted from the first sentence.
- Paragraph 3 – the words “or disorder” had been deleted from the second and third paragraphs.

The Committee further noted that, in place of the County Solicitor, the Authorising Officers would be the Head of Regulatory Services, the Trading Standards Manager (Operations) and the Trading Standards Legal Affairs Manager.

The County Solicitor reported that the outcome of the inspection by the OSC had been very positive. The Assistant Surveillance Commissioner had commended the work of the Trading Standards officers in this area and was of the view that the IT system ‘RIPAR’ used to support their activities presented good practice. The Committee commended the Trading Standards Service for the quality of its governance arrangements in this area.

Discussions had taken place with the Assistant Surveillance Commissioner about the use of covert investigatory techniques for the prevention and detection of illegal sales of age restricted products butane, knives and fireworks. The Committee noted that it had been the view of the Commissioner that these techniques could be used in appropriate cases even though they did not fall within the rules applicable under RIPA, provided that due consideration had been given to human rights legislation.

In light of the Assistant Surveillance Commissioner’s comments, the Committee noted that the view of officers had been that, due to the potential harm that could be caused by the sale of such products, there were strong reasons for extending the use of covert investigatory techniques to those cases and draft the policy in the Appendix had been amended to that effect.

The Committee endorsed this approach and recommended that the Cabinet adopt a policy to allow for such action to be taken.

#### RESOLVED:

- (a) That the proposed changes made to the Policy Statement to reflect the legislative changes and recommendations made by the Commissioner be supported and recommended to the Cabinet for approval;
- (b) That it be agreed that the Committee will continue to receive quarterly reports on the use of RIPA powers and to report to the Cabinet on an annual basis on both the use of RIPA powers and whether the Policy remains fit for purpose in order to fulfil the statutory obligations placed on the County Council.

#### 54. Date of next meeting.

#### RESOLVED:

That the next meeting of the Committee be held on 10 February 2014 at 10.00am.